



United States Senator
Richard Shelby
REPORTS TO ALABAMA



Uncle Sam Comes Calling Again

By: Senator Richard Shelby

As April 15th looms closer and the burden of paying taxes weighs on Americans, the idea of tax reform is foremost in my mind. President Bush has acknowledged that fundamental tax reform is one of his top priorities for the 109th Congress. He created a new Advisory Panel on Federal Tax Reform, whose charge is to advise the Secretary of the Treasury on options to reform the tax code to make it simpler, fairer, and more pro-growth. I believe that with the President's support and our expanded Republican majority, Congress may finally have the opportunity to enact real, significant reform of the federal tax code. I recognize that there are many items, including Social Security reform, that dominate Congress' agenda, but I still believe the opportunity to reform the tax code is possible.

Readers of my column might know that I have, for more than two decades, called for fundamental tax reform. I first introduced flat tax legislation as a member of the U.S. House of Representatives, and I have continued to advocate for the principles of fairness, equality, and simplicity that are the underpinnings of that legislation.

Today our tax code and its regulations total more than 60,000 pages which are complex, confusing and costly to comply with. A glaring example of this complexity is a finding by the IRS Inspector General that 19 out of 23 income tax forms completed and filed by employees at an IRS assistance center were erroneous. If the IRS, the very federal agency charged with

interpreting and enforcing our nation's tax laws, has an 80% failure rate, how can we expect the American people to understand the tax code, much less file error free forms? The answer is – we can not.

To expect more of taxpayers than can be delivered by the IRS is absurd, and maintaining the current system only contributes to the absurdity. I believe that most Americans want a simpler, less burdensome system for paying their taxes.

The flat tax legislation that I have advocated, and plan to introduce again in the 109th Congress, would repeal the current Internal Revenue Code and replace it with a single, flat rate tax that would apply to all taxpayers. This means that all earnings would be taxed at an equal rate – as low as seventeen percent once fully enacted. Under a flat tax, there will be no more unfair special interest deductions, unclear provisions, or painstaking forms to complete. The flat tax simplifies every part of the taxpaying process, while providing a more fair system for all Americans.

In place of itemized deductions that often favor special interests, my flat tax proposal would give each taxpayer a generous standard deduction of \$12,790, or \$25,580 in the case of joint filers. Taxpayers would receive an additional \$5,510 standard deduction for each dependant child. Therefore, a family of four would need to earn over \$36,600 before they ever paid a single penny of taxes. A flat tax provides for a fairer system, while still protecting those who are most in need.

A flat tax also dramatically simplifies complicated IRS forms and instruction manuals by requiring taxpayers to file a simple postcard size return. This form is easily completed in minutes without the use of expensive professional assistance. Indeed, we all dread paying taxes, and imagine how much easier it would be if the form were no bigger than a postcard requiring very basic information.

The need for an expensive accountant or attorney simply to comply with the law would be unnecessary because the flat tax levels the playing field and affords all Americans the same advantages and deductions regardless of their income level. Everyone will fill out the same simple return, everyone will be taxed at the same rate, and everyone will pay their fare share.

The time for significant reform of our tax code is now. Proposed amendments to the current tax code only perpetuate the complexities and inequalities of the current system. We have a small but clear window of opportunity to overhaul our tax code, and it is time that the United States Congress seriously consider comprehensive tax reform. While it is unclear what reform will ultimately be considered, I believe that a flat tax should be part of the debate. A flat tax would not only simplify the tax code so that all taxpayers could easily complete their own returns, it would treat all Americans equally. Only by treating every taxpayer equally can our tax code ever achieve true fairness.